MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

22 OCTOBER 2018
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

The Statement of Financial Position of Digoo Company as at 30 June 2017 is as follows:

Digoo Company Statement of Financial Position as at 30 June 2017	
Non-Current assets	RM400,000
Current asset (exclude bank)	100,000
Bank	200,000
	RM700,000
Authorised Capital	
1,000,000 Ordinary shares of RM1 each	**RM1,000,000**
Issued and fully paid up share capital	
200,000 Ordinary shares of RM1 each	RM200,000
Reserves	
Share premium	RM20,000
Profit and Loss account	150,000
General reserve	10,000
	180,000
Non-Current liability	
150,000 9% Redeemable Preference Shares of RM2 each	300,000
Current liability	20,000
	RM700,000

On July 1, 2017, 50% of the preference shares were redeemed at 20% premium. To finance the redemption, the company will utilize RM60,000 of the profit and loss account and the balance through issuance of new ordinary shares at RM1.30 each.

On December 31, 2017, the company declares a bonus of 1 ordinary share for every 4 shares held. This bonus issue is to be made out of the capital redemption reserves. The newly issued shares will not be accounted for the bonus issue.

Instructions

(a) Prepare the journal entries to record the necessary transactions on redemption on July 1 and bonus shares on December 31, 2017.

(9 marks)

(b) Prepare the ledger for bank and share premium accounts.

(3 marks)

(c) Prepare the Statement of Financial Position of the company as at December 31, 2017.

(4 marks)

Continued...

Part B

Answer the following independent questions.

(a) Reserves are profit retained by company and it can be classified into revenue reserve and capital reserve. Briefly explain the capital reserve and provide **TWO (2)** example of capital reserves.

(5 marks)

(b) According to Section 71 of Company Act 2016, each shareholder has rights and powers attached to shares. Briefly describe **FOUR (4)** right and power of a share in a company, other than preference shares according to Company Act 2016.

(4 marks)

[TOTAL 25 MARKS]

QUESTION 2

Part A

Fill in the blanks by using the given answers on each of the following statements. Answer in the answer booklet provided.

capital reduction	called capital	ordinary shareholders	loss on reorganisation
capital reserves	fair value	authorise capital	uncalled capital
heavy losses	dividend	book value	preference shareholders

1. Internal reconstruction also known as _____.

2. The company may reduce its capital by write-off _____ on its share.

3. During internal reconstruction process, creditor may feel insecure when capital is return to_____.

4. Company facing _____ may wind up the company or undergo business reconstructions.

5. One of the process involve in internal reconstruction is adjusting the _____ of assets.

6. _____will incurred if the remaining balance in capital reduction account is a debit balance.

(6 marks)

Continued...

Part B

Given below is the Statement of Financial Position of Luna Corporation as at December 31, 2017.

Luna Corporation
Statement of Financial Position as at December 31, 2017

Assets	
Building	RM530,000
Office Equipment	220,000
Goodwill	100,000
Pattern	40,000
Trade receivables	123,000
Inventories	160,000
Prepaid	14,000
	RM1,187,000
Authorized share capital	
2,000,000 ordinary shares at RM1 each	**2,000,000**
Issued and fully paid up share capital	
1,000,000 ordinary shares at RM1 each	1,000,000
Share premium	100,000
	1,100,000
Accumulated losses	(427,000)
	673,000
Long-term liabilities	
7% debentures	200,000
Current liabilities	
Trade payables	314,000
	RM1,187,000

Luna Corporation had been incurring trading losses for a number of years and hence was unable to pay dividends. The company passed a special resolution and the approval of the court was obtained for the following scheme of reconstruction:

1. The ordinary shares to be reduced to 25 sen each fully paid.
2. The share premium is to be used for the scheme.
3. The fair values of the following assets were:

Building	RM550,000
Office Equipment	190,000
Trade receivable	110,000
Inventories	145,000

4. To write off the accumulated losses and all intangible assets.
5. Another special resolution was passed to restore authorized capital.

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Instructions

(a) Prepare the journal entries to record the capital reduction.

(7 marks)

(b) Prepare the ledger for capital reduction and ordinary share capital account.

(7 marks)

(c) Prepare the Statement of Financial Position of the company after the capital reduction had been completed.

(5 marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

Rara the owner of Syarikat Bulan, sole proprietor company wanted to convert her business into a limited liability company on June 30, 2018. The post-closing trial balance below shows the balance of accounts in Syarikat Bulan as at June 30, 2018.

Syarikat Bulan
Post-Closing Trial Balance
As at June 30, 2018

Accounts	Debit (RM)	Credit (RM)
Land and building	255,000	
Equipment	89,250	
Bank	25,500	
Trade receivables	58,650	
Inventories	45,900	
Rara's capital		331,500
Trade payables		142,800
	RM474,300	**RM474,300**

A new company, names Bulan Purnama Sdn. Bhd. was formed to take over all assets and liabilities except bank account of Syarikat Bulan with the following term:

1. The authorized capital of new company Bulan Purnama Sdn. Bhd. is RM1,000,000 in ordinary shares of RM1 each.

2. On formation of the company, Rara and her best friends Syafiq purchased 10,000 ordinary shares at RM1 each by cash in Bulan Purnama Sdn. Bhd.

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3. RM4,000 was incurred as formation expenses.

4. It was agreed that the following values be adopted for the assets:

Land and building	RM300,000
Equipment	80,000
Goodwill	67,800
Trade receivables	50,000
Inventories	45,000

5. The purchase price to be settled by the issue of ordinary shares of RM1 each, at a premium of 25% in Bulan Purnama Sdn. Bhd.

6. The liquidation expense of RM2,500 was to be paid by Syarikat Bulan.

Instructions

(a) Calculate the purchase price payable by Bulan Purnama Sdn. Bhd. to Syarikat Bulan.
(4 marks)

(b) Close the books of Syarikat Bulan.
(9 marks)

(c) Open the books of Bulan Purnama Sdn. Bhd.
(9 marks)

Part B

Business combination is when the individual business combine or acquire another business to become larger business. Most of the owner or director of the company prefer to expand their business by acquiring another business operation rather than to build up or diversify their business.

Instruction

Identify **THREE (3)** benefits that will be derives from business combination to become company.
(3 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

Some companies may expand their business by combining or acquiring another business. Expansion of the business may benefit them in accessing to the capital market and to enjoy future growth. The process of expanding the business can be done either through amalgamation or absorption of the businesses.

Explain the different between amalgamation or absorption?

(4 marks)

Part B

Didi Sdn. Bhd., Nana Sdn. Bhd. and Jojo Sdn. Bhd. decided to amalgamate to take advantage of economies of production.

Below is their statement of financial position as at December 31, 2017.

Statements of Financial Position As at December 31, 2017			
	Didi	**Nana**	**Jojo**
Current Assets			
Cash	RM90,000	RM112,500	RM80,000
Trade Receivables	225,000	281,000	90,000
Inventories	180,000	127,000	100,000
Non-current Assets			
Property, Plant & Equipment	750,000	847,500	400,000
Goodwill	35,000	12,000	50,000
TOTAL ASSETS	1,280,000	1,380,000	720,000
Current Liabilities			
Trade Payables	60,000	75,000	70,000
Shareholders' Equity			
Ordinary Shares of RM1 per share	1,000,000	1,050,000	500,000
Profit and Loss	220,000	255,000	150,000
TOTAL LIABILITIES & EQUITY	RM1,280,000	RM1,380,000	RM720,000

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A company named DNJ Bhd. was formed to take over the business of Didi Sdn. Bhd., Nana Sdn. Bhd. and Jojo Sdn. Bhd as from January 1, 2018 on the following terms:

1. DNJ Bhd's authorized capital of 5,000,000 ordinary shares of RM1 each.
2. DNJ Bhd to take over all assets and liabilities of Didi Sdn. Bhd., Nana Sdn. Bhd. and Jojo Sdn. Bhd

3. The assets were taken over at the following values:

	Didi	**Nana**	**Jojo**
Trade Receivables	RM205,000	RM270,000	RM85,000
Inventories	170,000	120,000	90,000
Property, Plant & Equipment	700,000	870,000	350,000

4. The purchase consideration to Didi Sdn Bhd, Nana Sdn Bhd anf Jojo Sdn.Bhd are to be discharged in fully paid ordinary shares in DNJ Bhd. at the shares are valued at RM1.40 per share.

Didi Sdn.Bhd.	RM1,100,000
Nana Sdn.Bhd.	RM1,350,000
Jojo Sdn. Bhd.	RM550,000

Instructions

Show all your workings and roundup to the nearest figures.

(a) Prepare the schedule to calculate the amount of goodwill on business combination for Didi Sdn. Bhd., Nana Sdn. Bhd. anf Jojo Sdn. Bhd.

(6 marks)

(b) Prepare the necessary entries to open the book of DNJ Bhd.

(10 marks)

(c) Prepare the ledger for Business Purchase Account in DNJ Bhd.

(5 marks)

[TOTAL 25 MARKS]

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